

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301  
Indianapolis, IN 46204  
(317) 233-0696  
<http://www.in.gov/legislative>

**FISCAL IMPACT STATEMENT**

**LS 7490**

**BILL NUMBER: SB 541**

**NOTE PREPARED:** Jan 11, 2011

**BILL AMENDED:**

**SUBJECT:** Regional Economic Development Target Area.

**FIRST AUTHOR:** Sen. Head

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:**     **GENERAL**  
                              **DEDICATED**  
                              **FEDERAL**

**IMPACT:** Local

**Summary of Legislation:** This bill authorizes a regional economic development target area (target area) to be established as an economic development pilot program in certain counties (eligible counties).

The bill provides that the redevelopment commission of an eligible county may adopt a resolution to establish a target area if the redevelopment commission finds that an economic development project proposed for the target area will increase or retain employment opportunities, attract a new business, or retain or expand a business. It also specifies that the determination of a redevelopment commission to create a target area must be approved by ordinance of the legislative body of the county.

This bill provides that if a target area is established in a county, that county may enter into a project agreement with one or more other eligible counties concerning assistance to be provided for the proposed economic development project. It requires the project agreement to be entered into as an interlocal cooperation agreement.

The bill provides that if a target area is established, the fiscal body of the county in which the target area is located may adopt an ordinance imposing a target area income tax on the adjusted gross income of individuals employed within the target area (regardless of the county in which the individual resides). It specifies that the target area income tax is imposed only on the adjusted gross income derived from an individual's place of business or employment within the target area and it provides that the target area income tax may not exceed a rate of 1%. The bill requires the target area income tax to be distributed to the eligible county imposing the tax in the same manner as other county income taxes are distributed. It also provides that the tax revenue derived from the target area income tax shall be allocated as provided in the project agreement among all of the eligible counties that have entered into the project agreement, based on the

assistance provided by those eligible counties for the economic development project.

**Effective Date:** Upon passage.

**Explanation of State Expenditures:** The Department of State Revenue (DOR) and the State Budget Agency (SBA) would be required to certify and distribute proceeds from the regional economic development target area income tax under the bill. The resource levels of the DOR and SBA should be sufficient to carry out these tasks.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** Under this bill, a target area may be established as a pilot program by the county redevelopment commission with approval of the county legislative body in Cass, Fulton, Howard, Huntington, Miami, or Wabash Counties. Counties may enter into project agreements with each other under the proposal.

A county redevelopment commission may establish the target area if it is necessary to carry out an economic development project. The fiscal body of the project county may impose a regional economic development target area income tax. The tax may be imposed in increments of 0.1% and would be limited to a maximum of 1% of the adjusted gross income of individuals who are employed in the target area, regardless of the county of residence. The tax would not apply to any income earned outside of the target area.

Revenue from the regional economic development target area income tax would be distributed to the counties that are parties to the project agreement, according to the terms of the agreement. Tax revenue received by a county may be used by the county taxing unit for any lawful purpose.

The fiscal impact of this bill would depend on local action.

**State Agencies Affected:** Department of State Revenue; State Budget Agency.

**Local Agencies Affected:** Counties.

**Information Sources:**

**Fiscal Analyst:** Bob Sigalow, 317-232-9859